

MONTANA BOARD OF HOUSING

301 S Park Ave, Rm 226

Helena MT 59601

April 20, 2005

ROLL CALL OF BOARD

MEMBERS: Bob Thomas, Chairman (Present)
Judy Glendenning, Vice Chairman (Present)
J.P. Crowley, Secretary (Present)
Susan Moyer (Present)
Audrey Black Eagle (Absent)
Jeff Rupp (Present)
Betsy Scanlin (Present)

STAFF: Bruce Brensdal, Executive Director
Bob Morgan, Single Family Program Manager
Mat Rude, Multifamily Program Manager
Scott Hoversland, Accounting & Finance Manager
Chuck Nemec, in-coming Accounting & Finance Manager
Jeannie Huntley, Promotion Manager
Charlie Brown, Single Family Program Specialist
Gerald Watne, Multifamily Program Officer
Doug Jensen, Single Family Program Specialist
Jeannene Maas, Training & Development Specialist
Vicki Bauer, Assistant Accounting & Finance Manager
Diana Hall, Administrative Assistant

COUNSEL: Pat Melby, Luxan and Murfitt

OTHERS: Gordon Hoven, Piper Jaffray
Alyce Howell, Wells Fargo Home Mortgage
Lyle Konkol, HUD
Nick Flueher, Citigroup
Maureen Rude, Fannie Mae
Steve Redinger, Intermountain Mortgage
Karen Nebel, Montana Homeownership Network

CALL MEETING TO ORDER & PUBLIC COMMENTS

Chairman Bob Thomas called the meeting to order at 8:30 a.m. He asked the Board, staff, and guests to introduce themselves. He asked for comments from the public.

Nick Fleuher of Citigroup gave a summary of the market and presented information on the 2005 Series A financing transaction that was done for another state housing finance agency.

APPROVAL OF MINUTES

Betsy Scanlin moved to approve the March 15, 2005 Board minutes and the March 28th & 30th conference call minutes. Judy Glendenning seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

PROMOTIONAL PROGRAM

Jeannie Huntley said that the bill inserts will be going out in the First-time homebuyer packets. She presented brochures for each program that have a corporate identity. The new annual report was distributed and has a disk containing the financial information in the back pocket. The Montana House event was a success and featured the kids at Job Corps. The Montana Homeownership Network plans to celebrate their 2500th home loan on April 20th, 2005 in the Capitol rotunda. Jeannie gave the Board a copy of the press release on the new bond issue. She also presented the Housing highlights for the month of March.

MULTIFAMILY PROGRAM

Mat Rude informed the Board that the Tax Credit Workshop will be May 10 & 11 in Livingston. It is an information gathering to receive public comments for the 2006 Qualified Allocation Plan (QAP).

Mat notified the Board that the information for the ownership change on the seven preservation projects and one additional property did not arrive, so it will be discussed at the next meeting.

Mat said the Orchard Grove Tax Credit Project in Missoula, being developed by homeWord, was originally interested in doing a risk-share loan through HUD using bond proceeds. They are asking for about \$539,000 on a \$5 million project. This would be a first position loan. The project has Tax Credits and HOME funding and some other grants, but with the \$539,000 in the basis of a risk-sharing loan, the tax credits become 4% tax credits instead of 9%. Therefore, they are pursuing a Fannie Mae purchase participation certificate. It would still be a risk-share through HUD. Montana Board of Housing (MBOH) would be the Mortgagee and Servicer with Fannie Mae as the investor. It is taxable and would not affect the basis from the tax credit perspective. Susan Moyer moved to give preliminary approval to go forward with HUD for the risk-share and Fannie Mae for the purchase certificate process based on legal council reviewing the possible litigation that homeWord is involved with in Billings. Judy Glendenning seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Mat presented an exception to the \$10,000 lump sum payment for the Reverse Annuity Mortgage (RAM) program. The exception to the lump sum payment was to payoff a credit card debt, then they will receive a monthly payment. Jeff Rupp moved to accept the exception request. Susan

Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

ACCOUNTING PROGRAM

Scott Hoversland introduced Charles Nemec who will replace Scott as the Accounting and Finance Manager when he leaves. He presented the Investment Policy and no changes were recommended from the Board.

Scott asked the Board to choose 2 servicers to be audited from the list he presented. Judy Glendenning moved to do servicer reviews on Stockman Bank of Montana and Community Bank of Polson. Betsy Scanlin seconded the motion. The Chairman asked for public comments. The motion passed unanimously. The auditors will randomly pick two other servicers.

SINGLE FAMILY PROGRAM

Bob Morgan said MBOH has one of the best delinquency rates in the nation. He said the REO status report shows Montana Board of Housing (MBOH) has only two properties and both have a sale pending. Bob said the only properties that MBOH gets back are Rural Development properties because the other are conveyed to either VA for FHA. Jeff suggested working with the non-profits to keep the housing stock affordable and Bob said MBOH will notify them. Bob gave the Mortgage Credit Certificate (MCC) summary report. The MCC Program has 28 certificates issued and 4 reserved. The quarterly delinquency report compares MBOH at 2.31% with Montana at 2.79%, the mountain region at 3.63%, and the nation at 4.56%. The delinquency analysis report tracks delinquencies by Servicer, County, Setaside, and Loan Type.

Bob said homebuyer education is required for the setaside program and MBOH works with entities throughout Montana through the Montana Homeownership Network to provide the training statewide. MBOH applied to HUD last year and received a grant for \$188,000 with MBOH providing \$200,000 in matching funds. HUD is giving grants again this year and MBOH would like to submit another application this year. Jeff Rupp moved to allocate \$200,000 for matching funds for the housing grants application. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Bob gave an update on the 2005 A Program. There have been 149 loans reserved for \$16,762,312 and 26 loans have been purchased for \$2,597,325 in the 2005 A Program. The daily activity report showed the amount of loans reserved each day and reflected all the loans that came in when lenders were given the 3-day notice the interest rates would go up. Bob showed a report comparing MBOH interest rates with other states on a 30-year fixed rate and a graph that shows the mortgage rate trend. The zip code report shows the cities where loans have been reserved. The interest rate was discussed and no action was taken.

Judy Glendennig discussed a meeting that was held with lenders to discuss the Private Mortgage Insurance (PMI). Lenders liked the program. Staff said it would expand our programs and they would find out how it would effect MBOH's bond rating. Bob discussed the loss or risk to MBOH if a loan foreclosed. The program could use Fannie Mae Mortgage Backed Securities, which are AAA rated. The Board gave their consensus to proceed with the program. Bob said he is investigating a pilot program to rehab homes. The house would need to be at least 20 years old and

the amount of the rehab needs to be 25% of the basis of the homeowner in that property. MBOH would be able to refinance the property.

Bob presented the setaside summary, which shows \$30,802,258 committed to setasides. He requested an additional \$.5 million for the Disabled Accessible Affordable Homeownership Program (DAAHP). Judy Glendennig moved to put \$.5 million in the DAAHP. J P Crowley seconded the motion. The Chairman asked for public comments. The motion passed unanimously. Bob presented a request for funds from the Foreclosure Prevention Program to replace a boiler that went out. J P Crowley moved to approve \$4,365 from the Foreclosure Prevention setaside. Judy Glendenning seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

EXECUTIVE DIRECTOR'S UPDATE

Bruce Brensdal presented a Cost of Issuance spreadsheet for the Board's information.

Bruce gave a flyer out for the National Council of State Housing Board's Workshop in Colorado Springs on August 14-16.

Bruce discussed future meeting dates and locations. The next meeting is scheduled for May 16th in Helena. Meetings are tentatively scheduled for June 14th in Big Timber, July 18th in Missoula, **August 23th in Libby**, September 12th in Red Lodge, October 17th in Helena, and November 21st in Helena.

The meeting adjourned at 11:45 a.m.

J. P. Crowley, Secretary

Date